

Message Text

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PAGE 01 QUITO 02751 231544Z

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E.O. 11652: N/A

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SUBJECT: ECUADOREAN DELEGATION TO IDB BOARD OF GOVERNORS ANNUAL MEETING

REF: STATE 66926

1. PARAGRAPHS BELOW ARE KEYED TO QUESTIONS IN REFTEL.

2. (A) DELEGATION TO IDB MEETING WILL CONSIST OF FOLLOWING MEMBERS: JAIME MONCAYO, MINISTER OF FINANCE; ANGEL SERRANO, MONETARY ADVISOR TO THE MINISTRY OF FINANCE; IVAN ROMERO, DIRECTOR OF PUBLIC CREDIT; AND RAUL GUERRERO.

3. (B) EMBOFF SPOKE TO SERRANO WHO REPORTED FINMIN MONCAYO'S VIEWS ON THE UPCOMING IDB MEETING. MONCAYO WILL REQUEST A MEETING WITH SEC. TREASURY SIMON TO DISCUSS U.S. POSITION ON SHORT TERM LOANS TO ECUADOR. SPECIFICALLY, MONCAYO WANTS TO DISCUSS THE STATUS OF THREE LOANS THE GOE HAS PENDING BEFORE IDB.

4. SERRANO TOLD EMBOFF THAT THE FINANCE MINISTER WOULD ALSO LIKE TO DISCUSS THE CURRENT POLICY OF EXIM BANK FINANCING TOWARD ECUADOR, SINCE THE GOE IS UNDER THE IMPRESSION THAT PETROLEUM PRODUCERS FACE SOME CURTAILMENT OF EXIM BANK LOANS BECAUSE OF US POLICIES. THERE ARE NOT OTHER ISSUES THAT THE FINMIN WISHES

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PAGE 02 QUITO 02751 231544Z

TO RAISE WITH SECRETAR SIMON NOW ALTHOUGH HE MAY DETERMINE ADDI-

TIONAL TOPICS BEFORE THE MEETING.

5. (C) IN ANY CASE, EMBASSY SUGGESTS THAT US DELEGATION SEEK MEETING WITH ECUADOREAN DELEGATION TO DISCUSS US POSITION ON SOFT LOANS TO PETROLEUM PRODUCERS. ALTHOUGH THE ISSUE HAS NOT YET EXPLODED, US POSITION HAS RECIEVED FREQUENT AND UNFAVORABLE PUBLICITY. IN JANUARY 24 GUAYAQUIL SPEECH, PRESIDENT RODRIGUEZ LARA WARNED THE IDB AGAINST TAKING COERCIVE MEASURES AGAINST ECUADOR AND EMPHASIZED THAT ECUAODR IS STILL A DEVELOPING COUNTRY IN NEED OF FINANCIAL ASSISTANCE (QUITO 0616). US DELEGATION SHOULD TRY TO INFORM GOE ON STATUS OF THREE LOANS AND ATTEMPT TO ASSUAGE ECUADOREAN CONCERN OVER THIS ISSUE.

6. US DELEGATION ALSO MAY WISH TO TAKE THIS OPPORTUNITY TO ACCURATELY EXPLAIN EXIM BANK POLICY TO ECUADOREAN DELEGATION, SINCE FINMIN MONCAYO WISHES TO DISCUSS THE POSSIBILITY OF INCREASED EXIM BANK FINANCING FOR ECUADOR. SERRANO, AT LEAST, IS UNDER THE IMPRESSION THAT EXIM BANK LENDING TO PETROLEUM PRODUCERS WILL BE CURTAILED. INSOFAR AS WE KNOW, GOE ONLY HAS ONE EXIM LOAN APPLICATION PENDING - A TEN MILLION DOLLAR CEPE REFINERY. GOE WAS IN ARREARS WITH EXIM BANK OVER THE PAYMENTS OF TWO GOVERNMENT GUARANTEED LOANS: ONE LOAN FOR INECEL AND ONE FOR GUAYAQUIL GARBAGE TRUCKS. ECUADOR HAS BEEN CURRENT ON THE INECEL LOAN SINCE 1973 AND RECENTLY RESOLVED THE PROBLEM OF THE GUAYAQUIL GARBAGE TRUCKS. (ACTION REQUEST: IF THERE HAS INDEED BEEN ANY RETHINKING OF EXIM BANK POLICY TOWARD ECUADOR, EMBASSY WOULD LIKE TO BE SO INFORMED.)

7. (D) ECUADOREAN DELEGATION WILL PROBABLY RAISE THE ISSUE OF ECUADOR'S EXCLUSION FROM GSP IN ITS OPENING SPEECH, ALTHOUGH MONCAYO DID NOT SUGGEST THAT IT BE DISCUSSED IN A BILATERAL MEETING. THE ECUADOREANS WILL PROBABLY REFER TO THE GSP EXCLUSION IN SOME MANNER SINCE IT IS CURRENTLY THE THORNIEST ISSUE IN BILATERAL RELATIONS. ECUADOR'S EXCLUSION HAS PROVOKED A RASH OF THIRDWORLD SOLIDARITY STATEMENTS AND MUCH HIGH LEVEL CRITICISM OF US ECONOMIC COERCION.

8. (E) US DELEGATION SHOULD BE AWARE OF RECENT TUNA BOAT SEIZURES LEADING TO SUSPENSION OF FOREIGN MILITARY SALES AND US AID. IT IS UNLIKELY, HOWEVER, THAT THIS ISSUE WILL BE LIMITED OFFICIAL USE

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PAGE 03 QUITO 02751 231544Z

RAISED IN EITHER BILATERAL MEETING OR IN GOE SPEECH (EXCEPT PERHAPS AS A GENERAL REFERENCE TO DEFENSE OF NATURAL RESOURCES OR THE TWO-HUNDRED MILE LIMIT) SINCE THE GOE HAS CHOSEN TO DOWNPLAY, AT LEAST TEMPORARILY, THE SUSPENSION OF MILITARY SALES AND FOREIGN AID, NOR SHOULD USDEL RAISE THE ISSUE.
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